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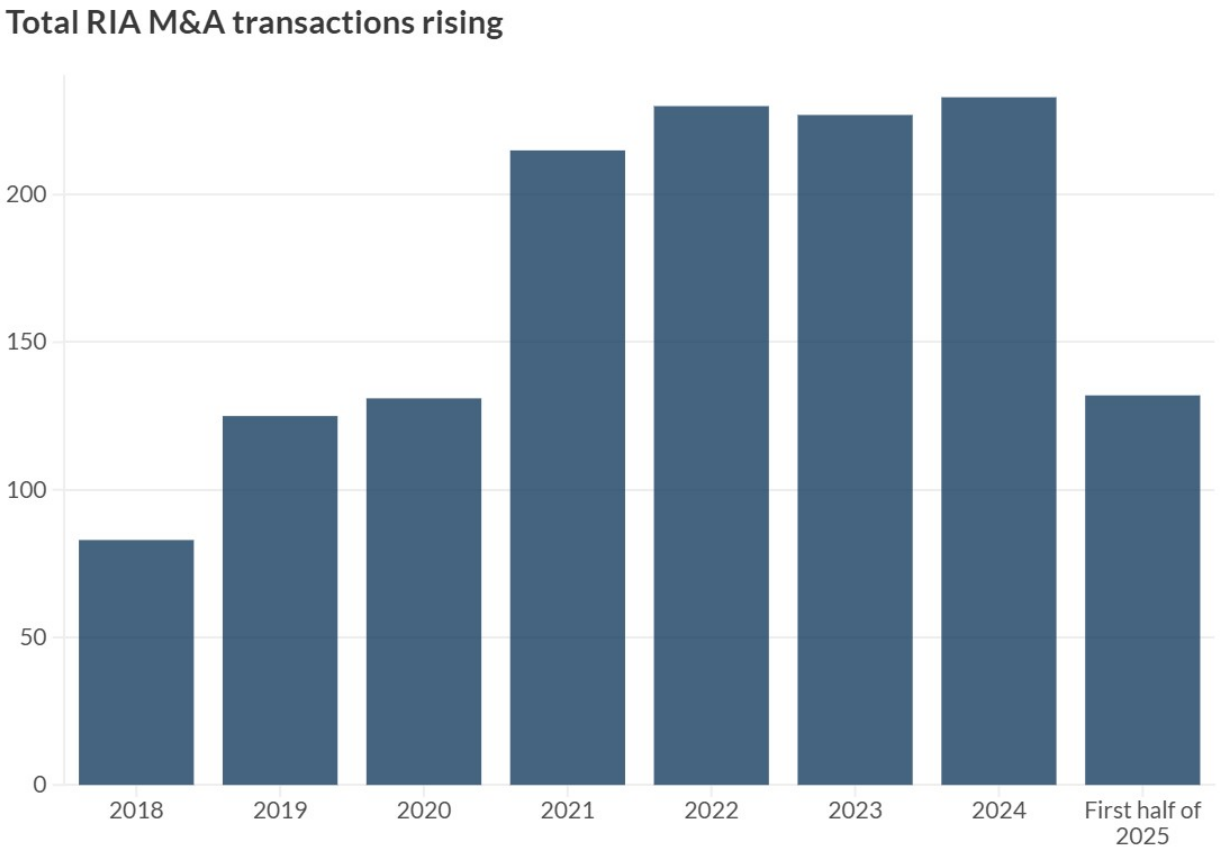
As private equity reshapes RIAs, advisors look for alternatives
By Rob Burgess
February 05, 2026, 5:03 p.m. EST

RIA mergers and acquisitions have surged in recent years, with private equity behind most of the activity.

In the first half of 2025, 132 such transactions were recorded, totaling $182.7 billion in assets, according to data from Fidelity Investments, the strongest start to a year since Fidelity began tracking M&A activity in 2015. Private equity accounted for 86% of those deals.



Source: "Fidelity Biannual M&A Review," Fidelity Investments

But advisors with firsthand experience say that while owners may benefit from these arrangements, employees lower on the organization chart can be left without any stake at all.

Lucas Wennersten, owner and founder of 49th Parallel Wealth Management in Scottsdale, Arizona, said this was one of the reasons he decided to strike out on

his own. He said both firms he worked for before starting his own had promised internal succession plans with a partnership path to equity ownership. But both are now wholly owned by private equity.

"Employees that were once promised partnership had their wages suppressed, were pressured to take on more clients than they were comfortable with and saw their path to ownership evaporate," he said. "Selling owners know a bird in the hand is better than two in the bush. They now have an opportunity to sell for an attractive price to private equity and consolidators now. An internal employee succession plan is much riskier and takes far longer. Increasingly, if you want equity, you have to go out on your own."

The influx of private equity into wealth management and financial planning coincides with a broader move into professional services, particularly CPA firms, said Michael Platner, managing partner at law firm Lewis Brisbois in Fort Lauderdale, Florida. This raises firm valuations and can render legacy compensation agreements inadequate to protect ambitious younger professionals hoping to "make partner" in the traditional way, he said.

"Private equity seeks cash flow-generating businesses they can scale," he said.

Experts note that for some firms, private equity may be the only viable option when internal succession is out of the question. Some advisors, however, say they have found alternative business arrangements can be a viable way to avoid direct private equity ownership.

What makes private equity attractive

The appeal of private equity to advisors nearing retirement is obvious: speed, price and certainty, said Mac O'Brien, chief growth officer at Rothschild Wealth Partners in Oak Brook, Illinois.

Before the flood of private equity capital, O'Brien said it was often the case that internal succession plans were informal, involving verbal agreements and packages that were seller-financed over multiple years. He said it was common for a retiring advisor to push back the timing of their exit, often to the dismay of the second-generation advisor.

"Private equity has forced a lot of the big firms in our industry to establish a defined structure for both retiring and [second-generation] advisors," he said. "That's a good thing. Of course, with more competition from private equity, packages and terms for retiring advisors have improved."

Some owners turn to private equity because they see no other options, said Frank Williamson, founder of Oaklyn Consulting in Chattanooga, Tennessee.

"If there aren't any internal successors that the departing owners want to succeed them, or any external buyers that particularly want the practice or could serve its clients especially well, the owners have no choice but to consider the

price their business would realistically attract from a private equity-backed aggregator," he said.

The ingredients of a successful internal succession

Internal succession remains a viable path for advisory firms that plan early and approach it realistically, said Kevin Reilly, chief financial officer and head of mergers and acquisitions at Parkwoods Wealth Partners in Clayton, Missouri. Firms that succeed document a clear succession plan years in advance, prepare next-generation owners for the leadership and operational responsibilities and align early on expectations around valuation and timing, he said.

"Private equity, and external succession more broadly, can be the right solution in certain situations," he said. "Internal succession remains a strong option for firms that are intentional about leadership development and clear about the economic trade-offs."

Internal succession requires a different level of commitment and discipline than it did 10 or 15 years ago, said O'Brien.

"It can't be a promise," he said. "It has to be engineered. That means clear equity pathways, realistic timelines, aligned economics and a culture that values durability over maximized short-term valuation. Without those ingredients, internal succession will always lose to the certainty of an external sale."

Platform affiliations offer alternate route

Some advisors seeking to avoid direct private equity involvement have found alternatives by affiliating with larger platforms.

In 2022, Julie Schatz, partner and financial planner at Investor's Capital Management in Menlo Park, California, and her business partner, Jennifer Cray, were "searching for options to offload compliance primarily and to help with succession planning secondarily." Several acquisition firms backed by private equity wanted to buy the firm, but Schatz and Cray didn't want to sell.

"We didn't want to be W-2 employees, and we didn't want private equity," she said.

In 2023, Schatz said they affiliated with Forum Financial Management which they found to be a "good fit."

"They're partner-owned and partner-operated," she said. "They will never be private equity. … They have models for internal succession, and it's been great."

A similar story played out for Lauren Williams. In 2013, she left the brokerage world to join a boutique RIA firm, "and for a time, it was amazing," she said. Four years later, the firm started taking on private equity investors and things slowly changed.

What began as growth morphed into consolidation and control, said Williams.

"The equity agreements became more onerous," she said. "The decision-making became further removed from the advisors and the clients."

In 2024, she co-founded ProsperPlan Wealth in Gold River, California, and affiliated with NewEdge Advisors, as she decided to "maintain an arm's length distance from private equity."

"How does one do this? By joining a larger RIA that has private equity involvement, yet still pursuing an independent model," she said. "This affords us scale, infrastructure and operational support without sacrificing autonomy and becoming a cog in someone else's hierarchy."